



State of Utah  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

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October 19, 1993

Ms. Natalie Reingold  
Vice President  
Surety Division  
Alexander and Alexander  
1185 Avenue of the Americas  
New York, N.Y. 10036

Re: Change of Surety and Surety Update, Umetco Minerals Corporation,  
Calliham Mine, Velvet Mine & Rim-Columbus Mine, M/037/023, M/037/040  
& M/037/006, San Juan County, Utah

Dear Ms. Reingold:

On September 22, 1993, the Division has received Umetco Minerals Corporation's replacement surety bonds for the above mentioned mine sites, located in San Juan County. We also received your request for the release of the old sureties provided by Seaboard Surety Company. Because the form and amount of the sureties have not technically changed, we can accept the new sureties without obtaining formal Board of Oil, Gas & Mining approval at this time. However, the existing surety dollar amounts are due for a 5-year reevaluation and appropriate updates.

The Division has calculated updated estimates and prepared new surety amounts in 1998 dollars (please see attached estimates):

1. Calliham Mine, M/037/023 - \$34,800 from \$33,700
2. Velvet Mine, M/037/040 - \$63,900 from \$62,535
3. Rim-Columbus, M/037/006 - \$37,200 from \$36,100

The Division suggests that you ask General Insurance Company of America to prepare surety riders for each of the surety bonds presently on file with this office. New Reclamation Contract agreements (FORM MR-RC) will also need to be completed and returned to this office for each mine site (forms enclosed). The new Reclamation Contract forms will be attached to the latest surety bonds.



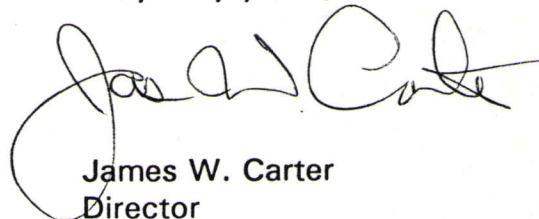
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Natalie Reingold  
Umetco Minerals Sureties  
October 19, 1993

We have enclosed the original surety bonds (#'s: 144186-8), issued by Seaboard Surety Company, for the identified mine sites. Also enclosed are signed copies of the release letters you requested for the older Seaboard surety bonds.

Should Umetco disagree with the revised surety estimates, the Division will schedule current inspections of each mine site. If onsite conditions have changed significantly since our last inspection, we will make appropriate adjustments to the surety estimates.

If possible, please provide the Division with the updated surety amounts and the new Reclamation Contracts by November 30, 1993. If you have questions in this regard, please contact Wayne Hedberg or Holland Shepherd of my staff. Thank you for your cooperation and assistance in resolving this permitting action.

Very truly yours,



James W. Carter  
Director

jb  
Enclosures  
cc: Milton Derrick, Umetco Minerals Corporation  
Lowell Braxton  
Minerals staff (route)  
M037023.sur



# SURETY ESTIMATE UPDATE

Umetco Minerals Corporation  
Rim-Columbus, M/037/006, San Juan County, Utah

Prepared by Utah Division of Oil, Gas & Mining  
Last Update October 8, 1993

## Comments:

- Original estimate made in 1988, for \$32,200
- Original estimate escalated to 1993 dollars, using 2.5% escalation factor, \$36,100
- Escalation factors through 1992 are actual Means Historical Cost Indices
- Escalation factors for years 1993 and beyond are predicted
- Total disturbed area = 13 ACRES

CALCULATIONS	YR	ESCAL FACTOR	BOND AMOUNT
$F = P(1 + i)^{**n}$	1987	0.0195	\$0
	1988	0.0181	\$32,200
F = Future Sum	1989	0.0177	\$32,770
P = Present Sum	1990	0.0077	\$33,022
i = Escalation Factor	1991	0.0127	\$33,442
n = number of periods	1992	0.0221	\$34,181
	1993	0.0142	\$34,666
Three Yr Average = 1.42%	1994	0.0142	\$35,158
Used to Project 5 Yrs	1995	0.0142	\$35,658
Into the Future	1996	0.0142	\$36,164
From the Year 1993	1997	0.0142	\$36,677
	1998	0.0142	\$37,198
Updated Surety Amount Rounded (1998 \$)			\$37,200

\*\* Average cost per acre = 2,862 (\$/ACRE)